



“BTA-Fransabank Retail Index” For the Second Quarter of 2022 (Q2-2022)

Further recession ... Prioritizing consumption on basic and vital commodities

The second quarter of 2022 witnessed the re-nomination of president Najib Mikati to form a new government. Yet, most Lebanese remained in a wait-and-see attitude, and were very skeptic about local, regional and even international developments in the near future.

Further pressure on most of the local population was also exerted by the sustained increase in the value of the US Dollar against the Lebanese Pounds, a pressure exacerbated by the cancellation of all forms of subsidies on a wide range of goods and sectors. This move has obviously had a direct negative impact on the level of consumption in the local markets.

During this same period, the Central Bank maintained the Sayrafa platform, hence continued to facilitate the access of traders as well as individuals to the Dollar through the banks, in an effort to absorb part of the LBP M1 in circulation and attempt to lower the inflationary pressures.

It should also be noted that the second quarter was marked by the general strike of the public sector employees, with all what such strike ensues in terms of slowing down all official transactions and formalities.

Finally, and on a more optimistic tone, it should be noted that coordination and preparations were ongoing between various ministries and concerned official parties to ensure the success of the summer season this year, especially for what related to the return of large numbers of Lebanese emigrants and to their positive reactivation of the momentum in local markets.

Back to the consequences of the regional and international tensions (especially the Russia-Ukraine war situation), and how they affected the local scene (through their direct and indirect influence on fuel and shipping and transport prices for imported goods as well as for operating expenses and production costs), it was observed that all these factors have highly contributed in soaring CPI/inflation levels (+ 210.08 % between the Q2 of '21 and the Q2 of '22), while the same accelerating increase was also reached between the Q1 and the Q2 of '22 (+ 26.18 % as compared to + 10.68 for the previous quarter). Hence exerting more strain on the lives of all citizens, traders and households alike, causing more stress on the markets and more recessionary pressure on the economy.

CPI (as pr CAS official results)	
Q4 '14 / Q4 '13	- 0.71 %
Q1 '15 / Q1 '14	- 3.38 %
Q2 '15 / Q2 '14	- 3.37 %
Q3 '15 / Q3 '14	- 4.67 %
Q4 '15 / Q4 '14	- 3.40 %
Q1 '16 / Q1 '15	- 3.57 %
Q2 '16 / Q2 '15	- 0.98 %
Q3 '16 / Q3 '15	+ 1.03 %
Q4 '16 / Q4 '15	+ 3.14 %
Q1 '17 / Q1 '16	+ 5.12 %

Q2 '17 / Q2 '16	+ 3.48 %
Q3 '17 / Q3 '16	+ 4.15 %
Q4 '17 / Q4 '16	+ 5.01 %
Q1 '18 / Q1 '17	+ 5.35 %
Q2 '18 / Q2 '17	+ 7.61 %
Q3 '18 / Q3 '17	+ 6.53 %
Q4 '18 / Q4 '17	+ 3.98 %
Q1 '19 / Q1 '18	+ 4.08 %
Q2 '19 / Q2 '18	+ 1.69 %
Q3 '19 / Q3 '18	+ 1.09 %
Q4 '19 / Q4 '18	+ 6.96 %
Q1 '20 / Q1 '19	+ 17.46 %
Q2 '20 / Q2 '19	+ 89.74 %
Q3 '20 / Q3 '19	+ 131.05 %
Q4 '20 / Q4 '19	+ 145.84 %
Q1 '21 / Q1 '20	+ 157.86 %
Q2 '21 / Q2 '20	+ 100.64 %
Q3 '21 / Q3 '20	+ 144.12 %
Q4 '21 / Q4 '20	+ 224.39 %
Q1 '22 / Q1 '21	+ 208.13 %
Q2 '22 / Q2 '21	+ 210.08 %
Q4 '14 / Q3 '14	- 1.49 %
Q1 '15 / Q4 '14	- 0.98 %
Q2 '15 / Q1 '15	- 1.12 %
Q3 '15 / Q2 '15	- 1.18 %
Q4 '15 / Q3 '15	- 0.16 %
Q1 '16 / Q4 '15	- 1.15 %
Q2 '16 / Q1 '16	+ 1.54 %
Q3 '16 / Q2 '16	+ 0.82 %
Q4 '16 / Q3 '16	+ 1.93 %
Q1 '17 / Q4 '16	+ 0.74 %
Q2 '17 / Q1 '17	- 0.04 %
Q3 '17 / Q2 '17	+ 1.47 %
Q4 '17 / Q3 '17	+ 2.78 %
Q1 '18 / Q4 '17	- 1.06 %
Q2 '18 / Q1 '18	+ 2.10 %
Q3 '18 / Q2 '18	+ 0.45 %
Q4 '18 / Q3 '18	+ 0.32 %
Q1 '19 / Q4 '18	+ 1.16 %
Q2 '19 / Q1 '19	- 0.25 %
Q3 '19 / Q2 '19	- 0.14 %
Q4 '19 / Q3 '19	+ 5.99 %
Q1 '20 / Q4 '19	+ 11.09 %
Q2 '20 / Q1 '20	+ 61.14%
Q3 '20 / Q2 '20	+ 21.60 %
Q4 '20 / Q3 '20	+ 12.94 %
Q1 '21 / Q4 '20	+ 16.52 %
Q2 '21 / Q1 '21	+ 25.38 %
Q3 '21 / Q2 '21	+ 47.95 %

Q4 '21 / Q3 '21	+ 50.08 %
Q1 '22 / Q4 '21	+ 10.68 %
Q2 '22 / Q1 '22	+ 26.18 %

- The details of the CPI revealed, between the second quarter of 2021 and the second quarter of 2022, the following:

- + **492.20%** in the Health sector
- + **462.40%** in the transport sector
- + **332.35 %** in the supermarkets and food shops sector
- + **271.85 %** in the restaurants and hotels sector
- + **221.58%** in the liquor, spirits and tobacco sector
- + **167.94 %** in the clothing and footwear sector
- + **159.50 %** in the furniture & home appliances and equipment sector
- + **124.40 %** in the recreation, amusement, and culture sector
- + **36.47%** in the Education sector
- + **7.28 %** in the communication sector

The very high rates must be pointed out, especially in Health and the Transport sectors.

- While the CPI between the first and the second quarter of 2022:
 - + **40.26 %** in the clothing and footwear sector
 - + **38.72%** in the supermarkets and food shops sector
 - + **32.94 %** in the liquor, spirits and tobacco sector
 - + **31.91 %** in the furniture & home appliances and equipment sector
 - + **26.59 %** in the transport sector
 - + **24.30 %** in the restaurants and hotels sector
 - + **22.20 %** in the Health sector
 - + **14.90 %** in the recreation, amusement, and culture sector
 - + **0.98 %** in the communication sector

Obviously, these figures did reflect in the increase of prices in most of the sectors.

As a result of all the above, the consolidated **“nominal”** retail turnover figures reveal that the second quarter figures of 2022 experienced an increase of 50.55 % in comparison to the second quarter of 2021 figures after excluding the fuel sector (*Important remark: this increase is in the nominal turnover figures before weighting with the CPI rates*).

But, after applying the proper weighting with the CPI for the period under review (+ 210.08 % between Q2 of 2021 and Q2 of 2022), it appears that **“real”** turnovers continued to witness a drop in all sectors of the market, except in the Cellular Phones sector where the turnover remained almost at the same level.

The persisting generalized fall in turnover figures is not anymore the sign of a stagnation of the trading activities, but rather of an acceleration in recession and in the contraction of the consumption momentum.

As mentioned above, with record high inflation figures for this period, “real” turnovers continued to witness a dramatic drop in all sectors of the market, a drop that was very close to 100 % in most activities (as mentioned earlier, the CPI has reached 210.08 % - Q2 to Q2, after posting 208.13 % in the previous quarter).

In the Fuel sector, a sharp drop of 35.15 % was recorded in terms of quantities for the first time since a long period. This is an indication of a dangerous structural signal of further recessionary developments that may affect the national economy, because of this sector’s direct impact on numerous areas of this economy, especially after the reduction of the Central Bank’s subsidies to the Fuel sector, and the resulting increase in fuel and gas prices, triggering a significant drop in the consumption levels of Lebanese individuals and households.

On the other hand, the CPI between Q1 ’22 and Q2 ’22 also indicated an acceleration in the increase of prices (+ 26.18 % as compared to 10.68 % in the previous quarter), and performances of most sectors continued to witness further declines, some of which were sharp (such as in Medical Appliances or even Newspapers and Stationery sectors for instance), while the drop was less severe in others (such as in Optical Instruments, Restaurants or Construction Materials for instance).

It is important to note that the Fuel sector has also posted a decline of 14.84 % in terms of quantities during this quarter as compared to the first quarter.

The only sector where some improvement was witnessed was the Cars Sector (probably because of the expectations of an increase in the value of the customs duties).

As a result, the consolidated “real” figures in Q2’22 (i.e. weighed with the respective CPI figures for every sector of the retail trade activities) for all retail trading sectors, as compared to the real figures of Q1 ’22 (that were already in sharp decline), registered again lower levels, and posted a drop that reached – 23.02 % (almost similar to the drop registered in previous quarter), after excluding the figures of the Fuel sector (where quantities dropped by – 14.84 % reflecting the lower demand because of much higher prices that became hard to afford by a large part of the Lebanese population).

The “real” figures posted in the main sectors were as follows:

- *Optical instruments (- 2.77 %)*
- *Restaurants and snacks (- 11.37 %)*
- *Toys (- 12.54 %)*
- *Liquors (- 13.12 %)*
- *Perfumes and cosmetics (- 14.88 %)*
- *Furniture (- 17.14 %)*
- *Watches and jewelry (- 17.84 %)*
- *Tobacco (- 21.03 %)*
- *Household electrical equipment (- 22.63 %)*
- *Silverware and decoration (- 27.38 %)*
- *Supermarkets and food shops (- 28.57 %)*
- *Pharmaceuticals (- 28.85 %)*
- *Bakeries & pastries (- 30.90 %)*
- *Home accessories (- 31.90 %)*
- *Construction Materials (- 32.57 %)*
- *Clothing (- 34.85 %)*
- *Commercial shopping centers (- 38.86 %)*
- *Shoes & leather products (- 40.26 %)*
- *Books & stationery & office supplies (- 62.12 %)*

- Cellular phones (- 66.01 %)
- Medical Equipment (- 68.00 %)

The only sector where an improvement was reported was for the New cars agencies & used cars dealers (+ 26.94 %)

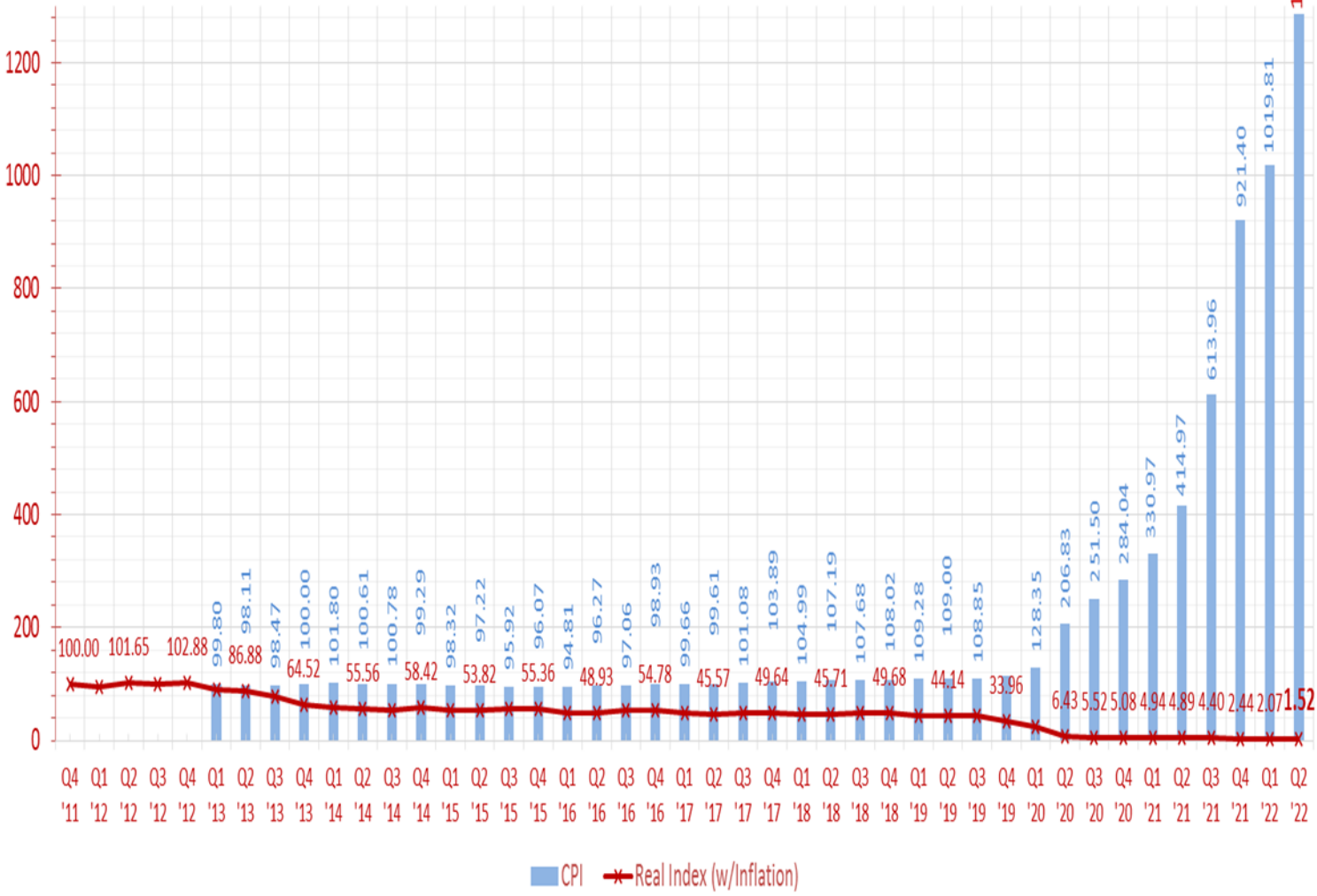
As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 26.18 % for the second quarter of 2022, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **1.52 for the second quarter of the year 2022**. This figure compares to the level of 2.07 for the first quarter of this year.

BTA - FRANSABANK Retail Index For Q2 - 2022

(Base 100 : Q4 - 2011)

	2011	2012				2013				2014			
	Q4 '11	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14
Nominal Index - w/out inflation	100	95.77	100.6	108.5	112.7	90.83	87.85	78.6	65.87	59.68	55.3	55.22	57.57
Real Index - w/ inflation	100	94.24	101.7	99.97	102.9	89.66	86.88	78.23	64.52	58.9	55.56	54.45	58.42
CPI	-	-	-	-	-	99.80	98.11	98.47	100.00	101.80	100.61	100.78	99.29
		2015				2016				2017			
		Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17
Nominal Index - w/out inflation		51.51	51.94	52.77	52.91	46.27	46.79	51.49	53.86	47.51	46.76	52.00	53.17
Real Index - w/ inflation		52.78	53.82	55.32	55.36	49.15	48.93	53.41	54.78	47.97	45.57	49.93	49.64
CPI		98.32	97.22	95.92	96.07	94.81	96.27	97.06	98.93	99.66	99.61	101.08	103.89
		2018				2019				2020			
		Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20
Nominal Index - w/out inflation		49.09	49.49	52.38	54.25	48.88	48.65	49.57	39.76	31.47	21.81	21.90	21.74
Real Index - w/ inflation		46.31	45.71	48.17	49.68	44.2415	44.14	45.04	33.96	23.90	6.43	5.52	5.36
CPI		104.99	107.19	107.68	108.02	109.28	109.00	108.85	115.54	128.35	206.83	251.50	284.04
		2021				2022							
		Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22						
Nominal Index - w/out inflation		21.36	21.63	21.65	24.10	22.82	22.68						
Real Index - w/ inflation		4.94	4.887	4.398	2.444	2.07	1.52						
CPI		330.97	414.97	613.96	921.40	1019.81	1286.76						

BTA-Fransabank Retail Index (Base 100 - Q4 '11)



In conclusion, the “**BTA-Fransabank Retail Trade Index**” continued to deteriorate during the second quarter of 2022, reflecting the inability of concerned official parties to decide on an applicable salvation program that would constitute the first step of the long journey of recovery from the unprecedented crisis that Lebanon is going through.

Therefore, and in the absence of any program or plan, the deterioration in the value of the Lebanese currency and of inflation levels is not expected to stop, while further recession and shrinking in the consumption levels are forecasted, because of an increasing poverty ratio amongst the Lebanese nationals, until agreements are reached at the level of main international, regional and local conflicts and issues, and serious negotiations start with international entities and bodies for helping in the recovery of our economy, while moving ahead with serious measures to fight corruption, and to start applying long awaited reforms.



Introduction

The “BTA-Fransabank Retail Index” is the pioneer of indices that the private sector has started to produce (as it was launched in late 2011) with the main objective of addressing the long lasting non availability of regular cyclical data and information relative to the activity of specific sectors of the Lebanese economy .

The main objective of the “BTA-Fransabank Retail Index” is to provide the trading community with a scientific tool that reflects the trend that is witnessed at the level of retail trade on a quarterly basis, bearing in mind that that this index is calculated based on actual data collected from a representative sample of companies distributed into all retail goods and services trading sectors (45 sectors as per the Central Administration of Statistics nomenclature).

This index should be considered as a good reference, bearing in mind that:



→ Companies were asked to provide their turnover on a yearly basis by brackets (in millions of USD). They also are asked to provide the quarterly percent change of their turnover for the quarter under review, compared to the same quarter of the previous year, and to the previous quarter of the same year.

Percent change of turnover of current quarter compared to same quarter last year ($Q1 - 2011$) =

$$\frac{\text{turnover of the current quarter} - \text{turnover of same quarter last year}}{\text{turnover of same quarter last year}}$$

Percent change of turnover of current quarter compared to previous quarter of the same year =

$$\frac{\text{turnover of the current quarter} - \text{turnover of previous quarter}}{\text{turnover of previous quarter}}$$

Index Methodology

For each sampled establishment the percent change of the turnover is first assigned a weight based on its relative turnover compared to the turnover of the other establishments within the same activity sector (ISIC¹ 6 digits).

An aggregation is then done within each activity sector (ISIC 6 digits) to calculate a percent change of turnover for this specific activity sector.

We then obtain as many indices as the number of activity sectors (ISIC 6 digits) taken into account.

On a second stage, ISIC level indices are then aggregated using weights based on the cumulated VAT turnover for each activity sector as provided by the Ministry of Finance.

This aggregation provided the final “*Beirut Traders Association – Fransabank Retail index*” of the commercial activity for the quarter under review.

¹ ISIC- International Standard Industrial Classification